



## Massachusetts Division of Insurance

# Consumer Alert

### **National Health Reform: What Does This Mean for Massachusetts?**

President Obama signed the Patient Protection and Affordable Care Act-- the federal health care reform bill -- into law on March 23, 2010. The law is expected to provide accessible health care coverage for an estimated 32 million Americans who are currently uninsured, and it will help people who already have health insurance retain their coverage. Some of the law's provisions are effective in 2010, while others will be phased in through 2020.

Massachusetts' own health care reform law already includes some of these reforms, while others will mean changes for Massachusetts health insurers and consumers. This alert lists some of the initial elements of national health reform and what they mean for Massachusetts residents.

#### **Limits on Annual and Lifetime Benefits**

**A health plan cannot limit the dollar value of essential benefits that an enrollee can receive over their lifetime.**

Most health plans sold in Massachusetts do not have lifetime limits. Those that do will have to eliminate them. This provision will apply to existing plans, as well as new plans. The new law does allow lifetime limits on some benefits that are not considered to be "essential health benefits."

**A health plan can only have a "restricted" limit on the dollar value of essential benefits that an enrollee can receive in a year.**

Most Health Maintenance Organizations (HMOs) in Massachusetts cannot have an annual limit on benefits. Other types of health plans are allowed to have an annual cap (for example, student health plans and young adult health plans may have caps); however, though there are some exceptions, health plans with annual caps typically do not meet the state's [Minimum Creditable Coverage](#) (MCC) regulations.

Starting on September 23, 2010, a health plan may not have an annual limit on essential benefits that is less than \$750,000. This limit will increase each year until January 1, 2014 - when annual limits will be eliminated entirely. This provision applies to existing plans, as well as new plans. There can be annual caps on benefits that are not considered to be "essential health benefits." Plans may be able to seek a waiver of these federal requirements.

#### **Rescission**

**A health plan cannot retroactively drop an insured person from the plan, except in case of fraud.**

Massachusetts already prohibits this practice.

#### **Coverage for Preventive Care**

**A health plan must cover certain preventive services without cost-sharing.**

Insurers in Massachusetts are allowed to charge co-pays or other fees for preventive care, so this will be a new requirement for Massachusetts insurers. [Preventive services covered by the new law](#) include services rated A or B by the U.S. Preventive Services Task Force, immunizations recommended by the Advisory Committee on Immunization Practices, and recommendations from the Health Resources and Services Administration for screening and preventive care for women and children. This requirement will apply only to new plans, and not to existing plans that are "grandfathered" under the new law. Federal regulations define what counts as a [grandfathered plan](#).

#### **Coverage for Dependents**

**A health plan must cover young adults on their parents' health plan until the age of 26.**

In Massachusetts, health plans must allow a child to be covered on a parent's plan, until the child reaches age 26 or two years after the child loses dependent status (whichever comes first). The federal law is slightly broader than current Massachusetts law: it will allow young adults to remain on their parent's insurance policy up to age 26, without regard to dependent status. A young adult will be able

to qualify for this coverage, even if he or she is no longer living with a parent, is not a dependent on a parent's tax return, and is no longer a student. There is an important caveat: young adults can be added as a dependent to a "grandfathered" group health plan only if they are not eligible for employer-sponsored insurance. If the young adult has any children, these children are not covered under this provision of the new law.

In addition, IRS provisions in the new law extend the general federal tax exclusion for reimbursements for medical care expenses under an employer-provided health plan to any child of an employee who has not attained age 27 as of the end of the taxable year.

## Coverage for Pre-existing Conditions

In Massachusetts, health plans cannot deny health insurance coverage for an individual because that person has a pre-existing condition. However, health plans can limit coverage of that specific condition for up to six months, unless the person has had continuous health insurance coverage. The new federal law does away with pre-existing condition exclusions entirely, but not until 2014. For children under 19, these exclusions will go away for plans sold or renewed on or after September 23, 2010.

## Summary

### National Health Reform Requirement

- **No Lifetime Benefit Limits**
- **Only "Restricted" Annual Limits on Benefits**
- **Rescission Prohibited**
- **Preventive Care Covered**
- **Coverage for Dependents**
- **Coverage for Pre-existing Conditions**

### Change for Massachusetts?

**No change for most consumers**  
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**No change**  
**Plans will eliminate co-pays for preventive care**  
**Slightly better than existing MA law**  
**No change for most consumers**

## Additional Resources

Many details of how health reform will be implemented are still being worked out by federal regulators. Here are some places to look for updated information, as it becomes available:

National Web Portal:

<http://www.healthcare.gov>

Office of Consumer Information and Insurance Oversight, U.S. Department of Health and Human Services:

<http://www.hhs.gov/ociio/regulations/index.html>

National Association of Insurance Commissioners and Center for Insurance Policy and Research:

[http://www.naic.org/index\\_health\\_reform\\_section.htm](http://www.naic.org/index_health_reform_section.htm)